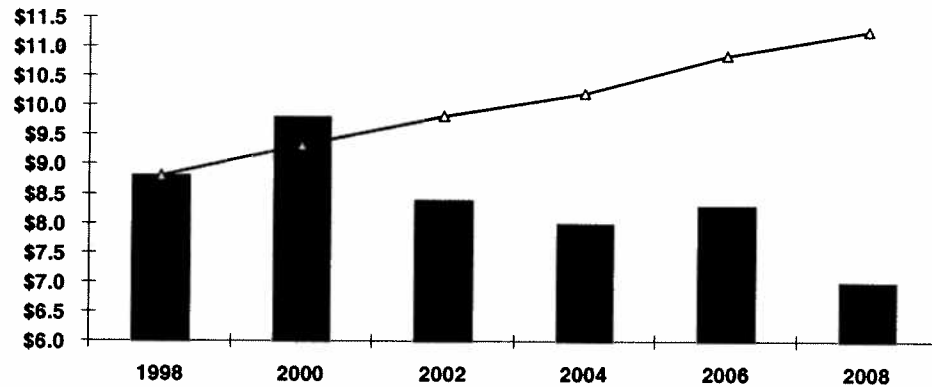


General Fund Revenues Are \$4.3 Billion Below the Rate of Inflation Since 1998

(Billions)



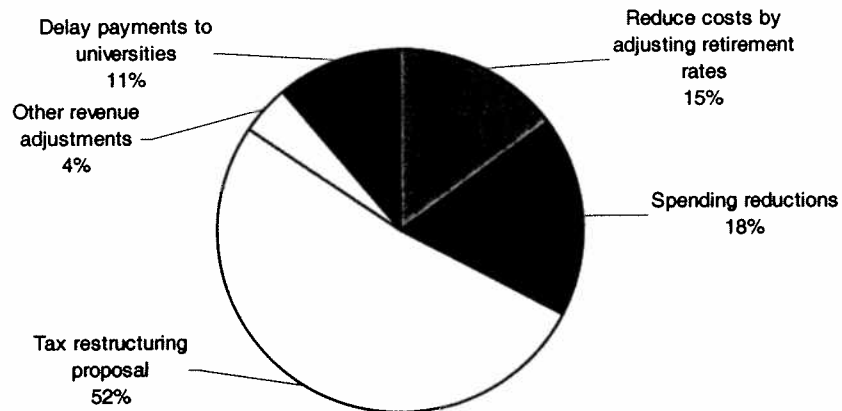
FY 2007 GENERAL FUND BUDGET GAP

Decrease in revenues		\$ in millions
GF Revenue Decline		234
Loss of FY 2006 Carryforward		104
Tobacco Settlement Escrow		85
Other Revenue Declines		10
Unavailable Federal revenues (DHS)		25
Subtotal - Revenue Problems		458

Spending pressures		
Increased prisoners		39
Increased caseloads in DHS		68
Medicaid costs		24
Anti-Viral Pandemic Flu Vaccine		16
Subtotal - Spending Problems		147

TOTAL FUNDING GAP	605
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Fiscal Year 2007 General Fund Solutions



FY 2007 SCHOOL AID FUND GAP

Decrease in revenues

School Aid Revenue Decline	322.0
Loss of FY 2006 Carryforward	<u>95.0</u>
Subtotal - Revenue Problems	417.0

Spending pressures

Revised pupil counts/spec ed costs	(65.0)
Tax Tribunal Case	<u>25.0</u>
Subtotal - Spending Problems	(40.0)

TOTAL FUNDING GAP	377.0
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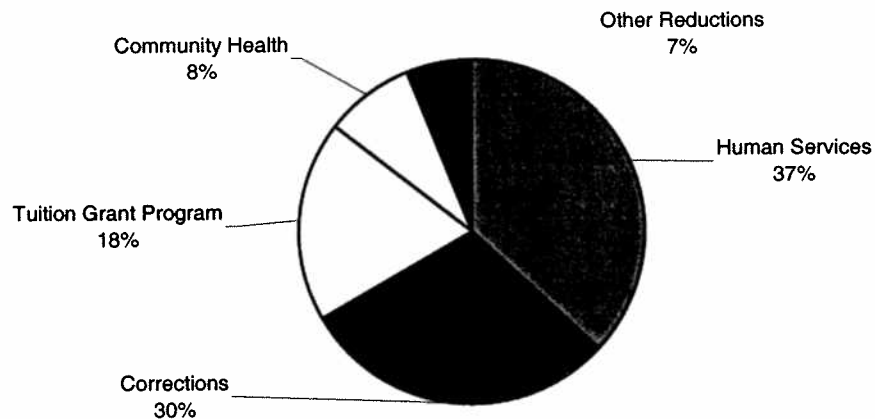
**Fiscal Year 2008 General Fund Revenues
(\$ in millions)**

Consensus Revenues	\$7,010
Revenue Sharing Freeze	\$369
Suspend County Revenue Sharing	\$204
Other Revenue Adjustments	<u>\$24</u>
Total Revenue Estimate	\$7,607

**Fiscal Year 2008 General Fund
(\$ in millions)**

FY 07 Enacted Appropriations	\$9,223
Baseline Spending Adjustments	
Medicaid Benefits Trust Fund Shortfall	\$46
Tobacco Settlement Trust Fund Shortfall	\$14
HMO Actuarial Rate Increase	\$52
Human Services Caseload Increases	\$90
Human Services Federal Revenue Shortfall	\$43
Corrections Prisoner Increases	\$80
Debt Service Payments	\$20
Employee Benefit Cost Increases	\$147
Other	<u>\$4</u>
Subtotal Baseline Spending Adjustments	\$496
TOTAL BASELINE SPENDING ESTIMATE	\$9,719
Repay Higher Education 2007 Payment	69
TOTAL REVENUE ESTIMATE	<u>7,607</u>
TOTAL FY 08 FUNDING GAP	2,181

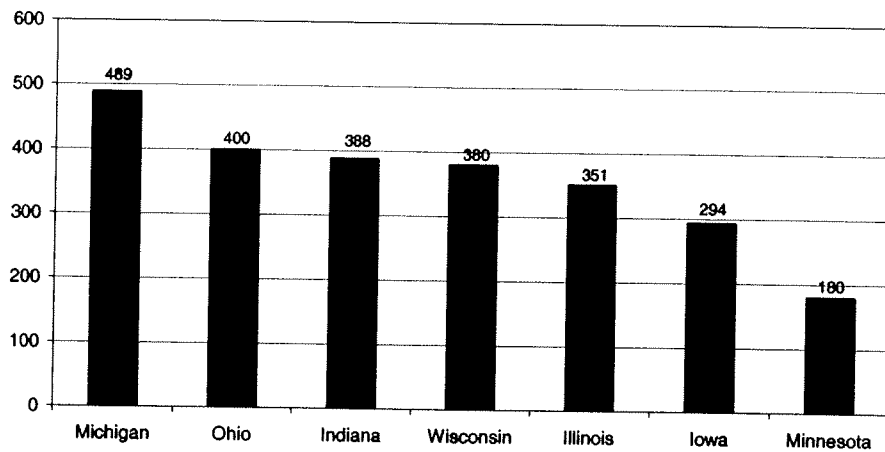
Fiscal Year 2008 General Fund Spending Reductions



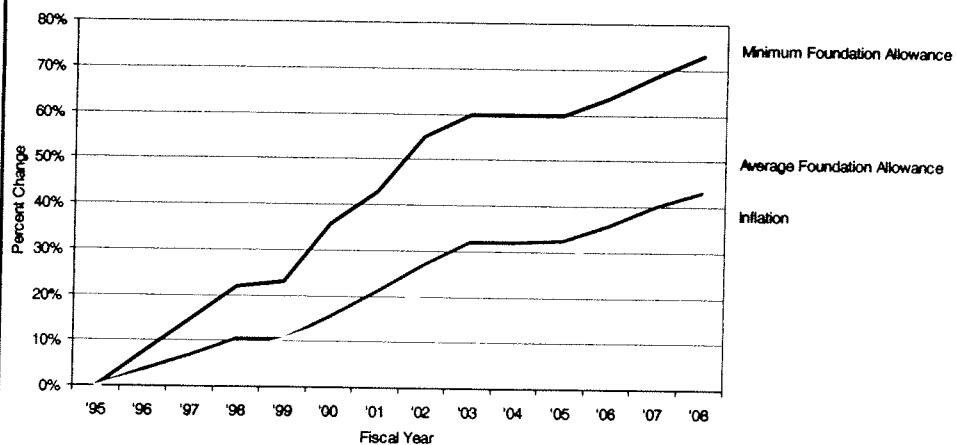
State Government is Smarter

<u>Fiscal Year</u>	<u>Governor</u>	<u>Number State Employees</u>	<u>Non-Corrections State Employees</u>
1973	Milliken	52,673	50,316
1978	Milliken	64,456	59,990
1989	Blanchard	64,560	52,038
1999	Engler	60,066	43,003
2000	Engler	61,493	43,841
2006	Granholm	52,259	35,813

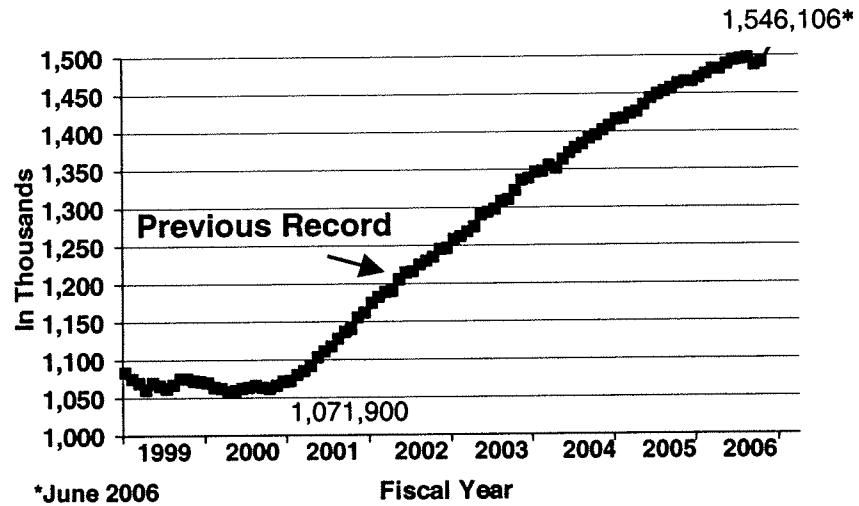
2005 Prison Population Per 100,000 Residents



Since Proposal A, Per Pupil School Funding Has Exceeded Inflation



Michigan Medicaid Caseload Continues to Increase



Medicaid caseload has increased by over 474,000 since 2000.

Source: OHHS, MA Team 1/16/07